

# BRIEFLY...

Highlights of Report Number: 03-05-003-03-315, a report to the Assistant Secretary, Employment and Training Administration. November 3, 2004.

## WHY READ THE REPORT

The North Carolina Employment Security Commission (ESC) operates several State and United States Department of Labor (USDOL)-funded programs, including Unemployment Insurance (UI). It contracts with the North Carolina Office of Information Technology Services (OITS) to obtain Automatic Data Processing/Information Technology (ADP/IT) services. Charges for such services are considered indirect costs because they support multiple programs. The Employment and Training Administration (ETA) has expressed concerns regarding state UI programs use of outside ADP/IT services, which tend to have much higher ADP/IT costs than state UI programs with their own in-house ADP/IT capabilities.

## WHY OIG CONDUCTED THE AUDIT

In State Fiscal Years 1997-2000, OITS' ADP/IT billed state agencies almost \$17 million, of which about \$13 million was charged to USDOL grant programs. The audit objective was to determine whether the ADP/IT central services costs charged to USDOL grants (except Job Corps) awarded to ESC for those years were reasonable, allowable, and allocable under the Federal cost principles set forth in OMB Circular A-87, and the terms of the grants awarded to ESC.

## READ THE FULL REPORT

The full report is available at:  
<http://www.oig.dol.gov/public/reports/oa/2004/03-05-003-03-315.pdf>

November 2004

# DOL GRANTS TO NORTH CAROLINA EMPLOYMENT SECURITY COMMISSION WERE OVERCHARGED FOR INFORMATION TECHNOLOGY COSTS

## WHAT OIG FOUND

Our auditors found that OITS did not adjust estimated costs charged to ESC programs to reflect actual costs.

## WHAT OIG RECOMMENDED

We recommended that the Assistant Secretary for Employment and Training ensure that the USDOL cognizant USDOL Grant Officer(s) adjust the ADP/IT central service costs charged to USDOL based on actual costs, and refund any overcharges to USDOL, for State Fiscal Years (SFYs) 1997 through 1999.

ESC agreed with our findings and provided documentation from OITS showing USDOL grants were overcharged \$137,159 for FY 1998. ETA's Grant Officer will resolve the report's recommendation for SFY 1998 related to this finding.